

PCE EXPLORATIONS LIMITED

ANNUAL REPORT For the Year Ended January 31, **1971**

DIRECTORS Murray Watts, Toronto, Ontario
Murdock C. Mosher, Toronto, Ontario
Ralph Hedlin, Toronto, Ontario
G. A. Loader, Toronto, Ontario
D. Sirola, Cobalt, Ontario

OFFICERS Murray Watts, *President and Managing Director*
Murdock C. Mosher, *Vice-President*
G. A. Loader, *Secretary-Treasurer*

REGISTRAR AND Canada Permanent Trust Company,
TRANSFER AGENT Toronto, Ontario

AUDITORS McDonald, Currie & Co.

SOLICITORS Day, Wilson, Campbell,
Toronto, Ontario

HEAD OFFICE Suite 420, 159 Bay Street, Toronto



PCE EXPLORATIONS LIMITED

PCE EXPLORATIONS LIMITED

REPORT OF THE PRESIDENT TO THE SHAREHOLDERS

This report reviews the 1970 operations of the company and the plans for the 1971 season's exploration program. Also included is a detailed report by the company's Chief Geologist with respect to four properties, in the Lost River area, which the company has staked or optioned.

The attached financial statements for the fiscal period ending January 31, 1971, show a working capital of \$448,716.

REVIEW OF 1970 OPERATIONS

The major activities of the company during 1970 were concentrated in the Lost River area of Alaska.

In addition, the company has brought to patent its properties in Janes and Dryden Townships in the Sudbury Mining District of Ontario for their nickel-copper interest and took steps to bring to patent the company's Langmuir Township claims which adjoin properties east of those claims held by Inco.

More recently, the company acquired a 45% interest in 200 claims in the Albanel Lake (Mistassini) area of Quebec. The company plans to conduct a geochemical survey in structures believed to be similar to those associated with the Icon-type copper deposit.

The company has maintained its interest in Coppermine River Limited of which it is the largest shareholder. The No. 47 zone of that company's property contains about four million tons averaging approximately 3% copper. No further work was done in 1970 and there are no present plans for its development.

The company has decided to allow the claims of Heiberg Sulphur Mines Limited on Axel Heiberg Island to lapse since they are of no present economic interest.

During 1969 and 1970 a total of 1,942 claims was staked in the Milne Inlet area, Baffin Island, N.W.T., covering certain lead-zinc showings with related geological structures. The company does not plan any further work on these claims at present.

LOST RIVER MINING CORPORATION LIMITED

Lost River Mining Corporation Ltd. was incorporated May 21, 1970. By agreement dated June 1, 1970, Lost River Mining Corporation Ltd. acquired 256 claims from PCE Explorations Limited in the Lost River area of the Seward Peninsula.

PCE Explorations Limited now holds 1,050,000 shares in Lost River Mining Corporation Ltd. of a total of 2,250,005 shares currently issued and outstanding. In addition, PCE retains an option on 500,000 shares at \$2.00 per share due on or before November 23, 1971, the exercise of which will increase PCE's significant holdings in Lost River Mining Corporation to more than 50% of the shares issued.

Full details of the operations of Lost River Mining Corporation and its plans for the 1971 season are included in the 1970 annual report of Lost River Mining Corporation.

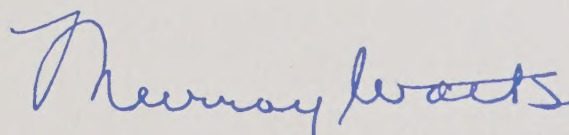
ACKNOWLEDGEMENT

Mr. Stanley F. Hinks, Toronto, has resigned as a director of the Company.

Mr. G. Arthur Loader, secretary-treasurer of the company, has been elected to the board of directors in place of Mr. Hinks.

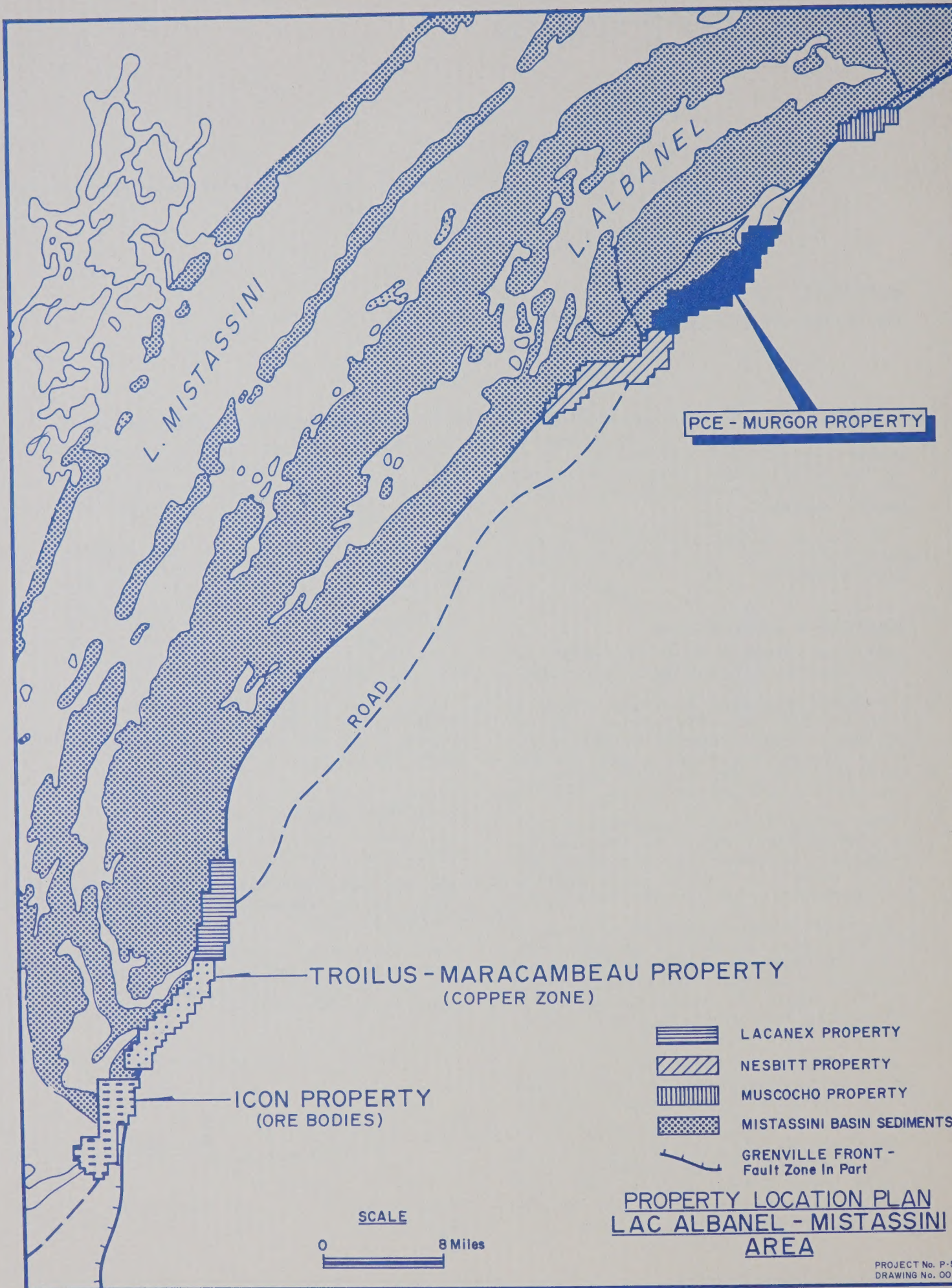
The company wishes to gratefully acknowledge the assistance given in the field during the past season by Mr. Ronald Sheardown, field manager, and by Dr. Michael Jeremic, chief geologist.

ON BEHALF OF THE BOARD



Toronto, Ontario
May 20, 1971

MURRAY WATTS,
President.



PROJECT No. P-501
DRAWING No. 001-P

DATA FROM - D.S. McPHEE B.Sc. F.G.S.

REPORT ON THE LOST RIVER AREA OPERATIONS—SEWARD PENINSULA, ALASKA

TO THE PRESIDENT:

PCE Explorations Limited has acquired by staking 680 mineral claims in the Lost River area of the Seward Peninsula, Alaska, during late 1970 and early 1971. The claims were staked to cover favorable structural trends through ground adjacent to that being explored by Lost River Mining Corporation Ltd.

In addition, the company has under option 30 mineral claims on Potato Mountain, about 24 air-miles northwest from the Lost River area. These claims were located to cover an area of known tin mineralization.

LOCATION AND ACCESSIBILITY

The four groups, which comprise a total of 710 claims, are described on Drawing No. 500-P. Claim Groups No. 1 and 2 and 3 each are located within one mile of exploration roads constructed on property held by Lost River Mining Corporation.

Access to the Potato Mountain tin prospect, Group No. 4, is most readily gained from Lopp Lagoon on the Chukchi Sea, five miles to the north of these claims.

GEOLOGY

Group No. 1: The area, lying to the west of the Zone No. 3 fluorite occurrence of the Lost River Mining Corp. Ltd., is underlain by massive to thick-bedded Ordovician limestones. The most favorable mineral localizing structure in the area, the Rapid River thrust fault, has been projected through Group No. 1 for a distance of 3½ miles.

Group No. 2: Lying to the east of the Zone No. 1 and No. 2 mineral deposits of the Lost River Mining Corporation Ltd., the area is underlain by massive to thick-bedded limestones. The limestones are dissected by rhyolitic dike swarms. In the northern part of the claim group a biotite granite intrusive, similar in composition to that underlying the Zone No. 1 deposit, has been unroofed. Fluorite float has been reported near the intrusive.

Group No. 3: These claims were located to cover an area of massive dolomitic limestone intruded by a

small mafic igneous stock. An east-west set of rhyolitic dikes dissect the limestones.

Group No. 4: At Potato Mountain, Paleozoic slates and older limestone are cut by numerous quartz veins containing cassiterite and by several dikes. More than 2,000 tons of placer tin have been recovered from Potato Mountain drainages and drilling by the U.S. Bureau of Mines has disclosed veins containing tourmaline and cassiterite.

CONCLUSIONS AND RECOMMENDATIONS

A phased exploration program consisting of prospecting, geological mapping and diamond drilling should be undertaken. Diamond drilling, of course, would be contingent upon encouraging results from the prior phase. The following cost estimate outlines the program:

Groups No. 1 and No. 2

Phase I

1. Prospecting and Geological Reconnaissance	\$ 8,000
2. Geochemical and Geophysical Surveys	5,000
3. Travelling and Camp Costs	5,000
Sub-Total	\$ 18,000

Phase II

4,000 feet exploratory diamond drilling @ \$20/ft.	\$ 80,000
Sub-Total	\$ 80,000

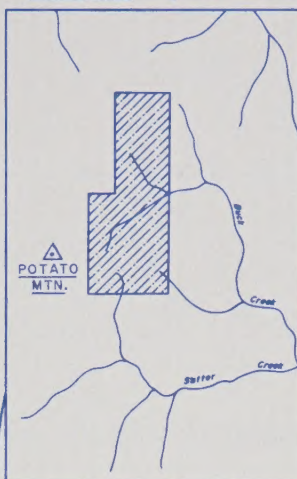
Phases I & II	Total	\$ 98,000
---------------	-------	-----------

Groups No. 3 and No. 4

Prospecting Phase Only	\$ 12,000
Total Cost	\$ 110,000

M. JEREMIC, Ph.D.,
Chief Geologist.

Group 4 (Optioned)







Actual location of this inset
is
approximately 17 miles N.W. of Map Area

PCE EXPLORATIONS LTD.
PROPERTIES

Group 2

LEGEND

-  CLAIMS-PCE EXPLORATIONS LTD.
-  CLAIMS - LOST RIVER MINING CORP. LTD.
-  ZONES by No.
-  RAPID RIVER THRUST FAULT

PROPERTY LOCATION MAP
OF
PCE EXPLORATIONS LTD.
SEWARD PENINSULA, ALASKA



PCE EXPLORATIONS LIMITED

BALANCE SHEET AS AT JANUARY 31, 1971

ASSETS	1971	1970
CURRENT ASSETS	\$	\$
Cash	315,795	590,105
Accounts receivable	151,974	8,471
	<u>467,769</u>	<u>598,576</u>
INVESTMENTS IN UNLISTED MINING COMPANIES — at cost (note 1)	<u>1,011,509</u>	<u>830,866</u>
FIXED ASSETS		
Mining properties (note 1)	147,837	171,337
Prospecting and office equipment — at cost	13,145	11,907
	<u>160,982</u>	<u>183,244</u>
OTHER ASSETS AND DEFERRED EXPENDITURE (notes 1 and 4)		
Interest in exploration participations	44,720	211,045
Exploration, development and administrative expenses	308,421	289,221
	<u>353,141</u>	<u>500,266</u>
	<u>1,993,401</u>	<u>2,112,952</u>
LIABILITIES	1971	1970
CURRENT LIABILITIES	\$	\$
Accounts payable and accrued liabilities	<u>19,053</u>	<u>32,114</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 2)		
Authorized —		
10,000,000 shares without par value		
Issued and fully paid —		
7,065,000 shares (including 240,000 shares issued during the		
year for cash of \$149,250)	3,362,172	6,825,000
Discount thereon (net)	—	3,612,078
	<u>3,362,172</u>	<u>3,212,922</u>
DEFICIT	1,387,824	1,132,084
	<u>1,974,348</u>	<u>2,080,838</u>
	<u>1,993,401</u>	<u>2,112,952</u>

Signed on behalf of the board
MURRAY WATTS, Director
G. A. LOADER, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of PCE Explorations Limited as at January 31, 1971 and the statements of exploration, development and administrative expense, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at January 31, 1971 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Ontario,
March 11, 1971.

McDONALD, CURRIE & CO.
Chartered Accountants.

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENSES

For the Year Ended January 31, 1971

	1971 \$	1970 \$
BALANCE — Beginning of Year	<u>289,221</u>	<u>227,738</u>
Expenditures during the year —		
Exploration and development —		
Assays	120	11,247
Drafting	2,929	3,548
Drilling	—	2,616
Engineering	5,056	3,017
Exploration	19,886	43,722
Flying	19,042	28,378
General	1,390	8,626
Licences	—	1,948
Staking	10,511	3,478
Travel	11,097	30,773
Wages	<u>23,399</u>	<u>33,839</u>
	<u>93,430</u>	<u>171,192</u>
Administrative —		
Accounting	4,824	4,012
Advertising and promotion	6,968	7,125
Employees' benefits	614	962
Engineering	12,000	12,000
Fees and licences	4,359	781
General	9,029	5,576
Insurance	1,280	(731)
Legal and audit	7,500	16,539
Rent	1,325	900
Secretarial	3,456	3,952
Shareholders' information	8,882	10,244
Telephone and telegraph	9,419	7,218
Transfer agents' fees	15,172	9,783
Travel	3,074	5,145
Wages	<u>33,309</u>	<u>32,776</u>
	<u>121,211</u>	<u>116,282</u>
Less: Interest on deposits	34,364	
Miscellaneous income	<u>26,900</u>	
	<u>61,264</u>	<u>56,107</u>
	<u>59,947</u>	<u>60,175</u>
	<u>442,598</u>	<u>459,105</u>
Less: Amount written off	68,015	169,884
Amount recovered from Lost River Mining Corporation Limited for previous year's expenses	<u>66,162</u>	<u>—</u>
	<u>134,177</u>	<u>169,884</u>
BALANCE — End of Year	<u><u>308,421</u></u>	<u><u>289,221</u></u>

STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended January 31, 1971

	1971 \$	1970 \$
SOURCE OF FUNDS		
Share issue	149,250	—
Interest earned	34,364	46,502
Miscellaneous income	26,900	9,605
Exploration costs recovered	66,162	—
Sale of motor vehicle	—	800
Sale of shares in unlisted mining company	—	926
	<u>276,676</u>	<u>57,833</u>
USE OF FUNDS		
Purchase of investments in unlisted mining companies	344,868	72,741
Purchase of office equipment	1,072	—
Purchase of prospecting equipment	165	2,284
Acquisition of mining properties	—	25,500
Increase (decrease) in joint exploration participations	(166,325)	(15,890)
Exploration, development and administrative expenditure	214,641	287,474
	<u>394,421</u>	<u>372,109</u>
DECREASE IN WORKING CAPITAL	<u>117,745</u>	<u>314,276</u>
WORKING CAPITAL — BEGINNING OF YEAR	566,461	880,737
Decrease in working capital	117,745	314,276
WORKING CAPITAL — END OF YEAR	<u>448,716</u>	<u>566,461</u>

STATEMENT OF DEFICIT

For the Year Ended January 31, 1971

	1971 \$	1970 \$
BALANCE — BEGINNING OF YEAR	1,132,084	883,300
Mining properties written off	23,500	77,500
Exploration, development and administration expenditures in respect thereof	68,015	169,884
Loss on sale of motor vehicle	—	1,400
Investments written down	164,225	—
	<u>255,740</u>	<u>248,784</u>
BALANCE — END OF YEAR	<u>1,387,824</u>	<u>1,132,084</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended January 31, 1971

1. VALUATION OF ASSETS

Investments in unlisted mining companies are shown at cost to date. Mining properties, other assets and deferred expenditures are shown at cost to date less amounts written off. The amounts shown are not intended to represent present or future values.

2. CAPITAL STOCK

(a) At a special general meeting of shareholders held on January 15, 1971 the shareholders confirmed a special resolution authorizing delivery of Articles of Amendment to the Minister of Financial and Commercial Affairs changing the 7,065,000 issued and the 435,000 unissued shares of the Company with a par value of \$1 each into 7,065,000 issued and 435,000 unissued shares without par value and increasing the authorized capital of the Company by creating an additional 2,500,000 shares without par value ranking on a parity with the existing 7,500,000 shares of the Company, provided that the 10,000,000 shares shall not be issued for a consideration exceeding in amount or value the sum of \$10,000,000, or such greater amount as the Board of Directors of the Company by resolution may determine.

(b) The directors of the Company have reserved out of the unissued capital of the company, 100,000 shares for employee incentive options, which options will be allocated in amounts and prices set by resolution of the Board of Directors. Approval of the incentive options has been obtained from the Vancouver and Toronto Stock Exchanges.

3. CONTINGENT LIABILITIES

The Company owns 131,966 shares of the capital stock of Muskox Mines Limited at a cost of \$35,020.

The President of the Company and the Company are named as defendants (together with the other participants in a syndicate known as the Muskox Syndicate), in a writ issued in the Supreme Court of Ontario, under the terms of which the plaintiff claims that certain of the defendants are not entitled to an interest in the assets of Muskox Syndicate or in the shares of Muskox Mines Limited. Muskox Mines Limited was incorporated pursuant to the syndicate agreement. An application for an interim injunction was dismissed with costs. Claims for declaration and a permanent injunction are pending but in the opinion of counsel for the Company, the Company has a valid defense to the claims.

4. OPTION AGREEMENTS OUTSTANDING

(a) The Company has the right to acquire in consideration for further monies which might be expended according to a participation agreement, all or any part of 273,482 shares of Teshierpi Mines Limited at \$0.50 per share on or before December 31, 1971; all or any part

of 250,000 shares at \$0.75 per share on or before December 31, 1972, and all or any part of 250,000 at \$1 per share on or before December 31, 1973.

(b) The Company acquired, in consideration for \$20,000 advanced according to a participation agreement, 80,000 shares of the capital stock of Northville Explorations Limited at a valuation of \$0.25 per share. The Company has the right to acquire further shares of the capital stock of Northville Explorations Limited in consideration of participating in further work on the properties owned by Northville in the following amounts:

40,000 shares at a price of \$0.30 per share on or before October 31, 1969;

40,000 shares at a price of \$0.40 per share on or before September 1, 1970;

40,000 shares at a price of \$0.50 per share on or before October 31, 1970.

The Board of Directors of Northville subsequently agreed to extend the due dates noted above for an unspecified time.

(c) The Company has options to acquire a further 114,998 shares of Coppermine River Limited at a price of \$1 per share exercisable on or before April 1, 1971.

(d) Under an agreement dated January 30, 1970 the Company had the right to acquire mining claims, buildings and equipment in Alaska. The consideration consisted of U.S. \$10,000 which was paid on January 30, 1970 and further amounts payable in U.S. dollars as follows:

\$120,000 on or before January 15, 1971 (since paid);

\$50,000 on or before January 15, 1972 and January 15, 1973;

\$100,000 on or before January 15, 1974 and January 15, 1975;

\$220,000 on or before January 15, 1976.

With the exception of the amount due on January 15, 1971 interest is at the rate of 6% payable annually.

The aforementioned agreement was subsequently assigned to Lost River Mining Corporation Limited in consideration for the issue of 550,000 treasury shares together with \$40,000 in cash.

5. SUBSEQUENT EVENT

Subsequent to January 31, 1971 Lost River Mining Corporation Limited issued 300,000 treasury shares to the Company at a price of \$2 per share.

Lost River also granted to PCE Explorations options on 700,000 treasury shares at a price of \$2 per share to be exercised within 9 months of February 23, 1971. PCE Explorations subsequently assigned options on 200,000 shares to three other parties, who subsequently exercised their options.

PCE EXPLORATIONS LIMITED

 **ANNUAL REPORT 1971**